

# Crime Awareness Newsletter

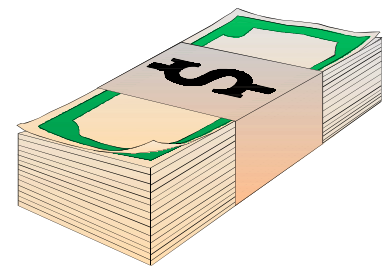
Volume 99-07

April 16 - 30, 1999

Courtesy of the  
**Department of Defense**  
**Office of the Inspector General**  
**Defense Criminal Investigative Service**  
**Central Field Office**



is conducting the investigation with the Federal Bureau of Investigation (FBI), the National Aeronautics and Space Administration and the U.S. Air Force Office of Special Investigations (AFOSI).



## Kickbacks

A six-count indictment was returned against Johnny W. Bowman and J.W. Bowman Company (JWBC), National City, CA. Bowman subsequently entered a not guilty plea for JWBC and himself relating to alleged kickback payments on Government contracts. An investigation disclosed Bowman, president of JWBC, a sandblasting and painting company, allegedly made kickback payments of approximately 10 percent of subcontract awards to co-conspirator Loyd Dean Stanley. Stanley was the former contract administrator for Pacific Ship Repair and Fabrication, Incorporated, San Diego, CA, a prime contractor used by the U.S. Navy to renovate and repair Navy vessels. Bowman and JWBC al-

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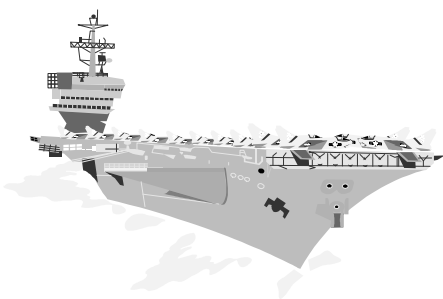
## Indictments

### Environmental Crimes

A four-count indictment was returned against Joseph E. Flanagan, James F. Weber and Edgar R. Wilson charging them with the alleged storage and disposal of hazardous waste, a violation of the Resource Conservation and Recovery Act (RCRA). An investigation was initiated after an explosion occurred at the Santa Susana Field Laboratory (SSFL), Simi Hills, CA, a Rockwell International Corporation (now Boeing), Rocketdyne Division (Rocketdyne) facility. The explosion caused the deaths of two Rocketdyne employees and injured a third employee. Rocketdyne claimed the ex-

plosion was the result of an experiment using rocket propellant. The investigation revealed the explosion was the result of Rocketdyne burning hazardous waste rocket propellants developed under Department of Defense (DoD) contracts. In April of 1996, Rocketdyne pled guilty to three felony counts of violating the RCRA and paid a \$6.5 million fine. Flanagan served as director in charge of Rocketdyne's Chemical Technology Group (CTG). The CTG operated and maintained control over the areas at the SSFL where the majority of the hazardous waste was stored. Weber and Wilson worked for Flanagan. Weber served as the CTG hazardous waste coordinator. Between June 1, 1994 and July 26, 1994, Flanagan and Weber allegedly stored various types of hazardous waste at the SSFL and on two occasions, unlawfully burned hazardous waste at the SSFL. Wilson allegedly burned hazardous waste at the facility on three occasions. The Van Nuys Resident Agency (RA)

legedly paid \$45,000 in kick-back payments to Stanley from April 1994 to June 1994 to obtain subcontracts to perform sandblasting and painting work on U.S. Navy vessels. Stanley previously pled guilty to conspiracy and filing a false income tax return. The San Diego RA is conducting the investigation jointly with the FBI and the Naval Criminal Investigative Service.



### **Health Care Fraud**

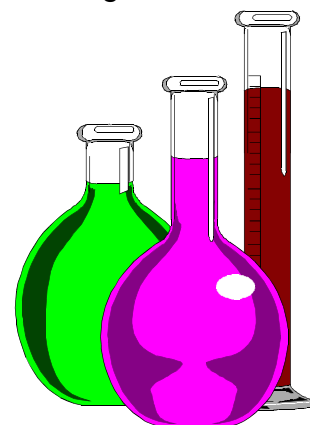
A one-count indictment was returned against Lannes Neil Johnson in Springfield, MO, for allegedly conspiring to submit false claims to the Government. An investigation disclosed Johnson, a former laboratory manager for Mid America Clinical Laboratories, allegedly conspired to submit false claims in connection with the receipt of over \$200,000 from the Department of Health and Human Services (HHS) and the DoD. Johnson allegedly submitted payment requests for Medicare program beneficiaries and Civilian Health and Medical Program of the Uniformed Services (now known as the TRICARE program) beneficiaries for clinical labo-

ratory services that were not ordered or were billed as component elements of chemistry tests, panels or profiles. The Central Field Office (FO) is conducting the investigation with the U.S. Postal Inspection Service and the HHS. Audit support is being provided by the Health Care Finance Administration.

### **Falsified Test Results**

Jack Pain, former chief engineer of the now closed Exxon Paratell Engine Testing Laboratory, Linden, NJ, was arrested by representatives of the British Ministry of Justice. This is the next step in an ongoing 4-year involvement with the British Ministry of Justice to extradite Pain, a British citizen, back to the United States to stand trial. In April 1994, an indictment was returned against Pain charging him on eight counts of allegedly conspiring to submit falsified and fraudulent engine test results to the DoD. Two other senior officials of the Exxon laboratory also were indicted and charged along with Pain. The three men allegedly altered and falsified engine test results by providing a variety of false data concerning the test and the test results. The false certified test results were submitted to support inclusion of the Exxon lubricant additives to the DoD Qualified Products List. The DoD purchased approximately \$270,000 worth of the products. James R. Tricase, for-

mer Exxon engineer, pled guilty to participating in and concealing various fraudulent test data results to the DoD. He is awaiting sentencing. In November 1993, Exxon Corporation pled guilty to related charges and in March 1994 was sentenced to probation and a \$3.8 million fine. The New Jersey RA is conducting the investigation with the FBI.



### **Health Care Fraud**

An information was filed against William Scotti, assistant administrator, National Recovery Institutes Group (NRIG), Fort Lauderdale, FL, for allegedly obtaining, and aiding in obtaining, payment of false, fictitious and fraudulent claims. The NRIG was a drug and alcohol abuse clinic that regularly billed TRICARE, Medicaid and Medicare. Scotti allegedly caused a false psychosocial assessment of a patient to be prepared that was later billed to Medicaid. Scotti also allegedly issued billing sheets used to bill Medicaid for counseling services that were never rendered. The Fort Lauderdale Post of Duty (POD) is conducting the in-

vestigation in conjunction with the Florida Attorney General's Medicaid Fraud Control Unit.

### **Health Care Fraud**

An information was filed against Jeffrey Parziale charging him with one count of filing a false claim against the U.S. Government. Parziale immediately pled guilty to the charge. An investigation into the medical billing practices of Parziale and others associated with the Arizona Counseling Associates, Tucson, AZ, disclosed Parziale was not certified to provide mental health services for which he had submitted claims to the HHS and the DoD TRICARE program. The Phoenix RA is conducting the investigation.

### **Labor Charges**

Sharp Construction, Ocean, NJ, Alfred "Buddy" Canale and Bommegowda Lokash pled guilty to violating the Davis-Bacon Act. Sharp Construction pled guilty to 2 counts of a 12-count indictment; Canale pled guilty to a 2-count superseding information charging him with making false statements and conspiracy; and Lokash pled guilty to a 1-count superseding information charging him with making a false statement. An investigation disclosed that from 1992 to 1994, while performing renovations on a Department of Veterans Affairs (VA) contract, and a Department of the Army maintenance and repair contract,

Sharp Construction violated the Davis-Bacon Act. The Act requires that all Federal Government contractors and subcontractors for construction, alteration, and repair of public buildings be paid the prevailing wage, as determined by the Department of Labor (DOL). Sharp Construction and its subcontractors were required to sign a statement of compliance on payrolls, specifically that the payrolls were correct and complete and each worker had been paid the prevailing rate. From December 1992 to October 1994, Sharp Construction and Canale submitted false and fictitious certified payrolls to the DOL, the DoD, and the VA. The New Jersey RA conducted the investigation with the DOL, the VA and the U.S. Army Criminal Investigation Command (USACIDC).

### **Travel Voucher Fraud**

Sheryl A. Darling, Sarasota, FL, pled guilty to a two-count information charging her with making false claims to the U.S. Government. An investigation disclosed that Darling, a former instructional systems specialist at the Defense Information School, Fort Meade, MD, submitted false claims in connection with her permanent change of duty station relocation from Fort Benjamin Harrison, IN, to Fort Meade. Darling's submission of false claims for travel advances subsequently resulted in the receipt of

\$15,266.40 in fraudulent travel payments. Darling retired from her Government position in October 1996. The Mid-Atlantic FO conducted the investigation.

### **Product Substitution**

Wanda Figueroa-Martell and Elizabeth Lopez-Perez pled guilty in U.S. District Court, Eastern District of New York, to one count of making a false certificate or writing. The pleas stem from an investigation of previously indicted entities Isratex, Incorporated (Isratex), and Isratex of Puerto Rico, Incorporated, a wholly owned subsidiary. Isratex and Isratex of Puerto Rico manufactured uniforms and other military apparel under contracts awarded by the Defense Personnel Support Center, a DoD buying activity. Figueroa was the quality control manager of the Isratex of Puerto Rico Hormigueros facility. Lopez was the quality auditor at that same facility. They were responsible for providing documentation to the U.S. Government quality assurance representative (QAR) that the uniforms and other military apparel manufactured at the Hormigueros facility were inspected and met the required military specifications. Figueroa and Lopez falsely certified to the U.S. Government QAR that 3,150 military coats conformed to the contract, when they knew the coats did not conform. The New York RA conducted the investigation.

## Sentences

### Health Care Fraud

Simon Andrew Casey, doing business as Psychoneurological Institute, pled guilty to one count of filing false claims for health care benefits and one count of practicing psychology without a license. Casey was immediately sentenced to 3 years of probation, to pay \$40,000 in restitution to former patients identified as victims, and to pay a \$200 fine. Casey is further prohibited from practicing psychology unless properly licensed according to the requirements of the state in which he intends to practice. An investigation revealed Casey had been practicing psychology in the State of California for years without a license, while misleading his patients to believe he was, in fact, a licensed practitioner. Casey then submitted claims for psychological services that he was not entitled to receive to various insurance companies (to include CHAMPUS). In some instances, witnesses paid Casey thousands of dollars out of their pockets for psychological advice. The Western FO conducted the investigation jointly with the California Medical Board.

### Property Theft

Johnnie E. McKee, Piney Flats, TN, was sentenced to 3 years probation and fined \$5,000, plus a \$100 special assessment. McKee previ-

ously pled guilty to theft of Government property. The charge is in connection with an ongoing investigation into thefts of Government property from the Defense Reutilization and Marketing Office at Fort Jackson, SC. Formerly an employee of the U.S. Army Area Maintenance Support Activity (AMSA), Kingsport, TN, McKee stole and converted to his personal use a welding machine valued in excess of \$1,000 and other Government property valued at over \$77,000. The AMSA shop maintains tactical military vehicles in Kingsport, Johnson City, and Greenville, TN. The facilities at Fort Jackson also provide maintenance support for the military vehicles or their component parts. The Southeast FO conducted the investigation jointly with the FBI and the USACIDC.



## Civil Settlements

### Commissary Shortages

Peter J. Gardini, doing business as Santa Fe Provisions (SFP), Santa Fe, NM, reached a \$40,000 civil set-

tlement with the Government. The settlement resolves issues relating to inflated billings SFP submitted for deliveries of meat products to the Kirtland Air Force Base (KAFB) Commissary. From November 1994 to June 1995, Gardini, doing business as SFP, caused false claims to be submitted to the Defense Commissary Agency (DeCA) by inflating the weight of meat products delivered to the KAFB Commissary. The DeCA oversees the operation of DoD commissary facilities located on military establishments. Gardini operated as a vendor for EURPAC Service, Incorporated, Virginia Beach, VA, when he delivered products to the KAFB Commissary. Employees of the KAFB Commissary discovered the shortages when they used a re-weigh procedure to compare the actual weights of the delivered products to the amounts Gardini wrote on corresponding SFP invoices. Eleven instances of inflated product weights were identified on SFP deliveries. The amount overbilled by SFP on those deliveries totaled \$10,144. The \$40,000 settlement amount represents treble damages, plus a \$10,000 penalty, and fully compensates the United States for damages. Gardini still faces administrative remedies, to include suspension and debarment. The Albuquerque POD conducted the investigation jointly with the FBI and the AFOSI.



*To report suspected criminal activity involving the Department of Defense please contact the nearest Defense Criminal Investigative Service office.*

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